FIRST IN COLD

VERSACOLD INCOME FUND

2005 Annual Report

VersaCold

Versacold Income Fund

Versacold Income Fund is an unincorporated, open-ended limited purpose trust created to invest in public refrigerated warehousing (PRW) distribution and related businesses. The Fund was established in February 2002 with the acquisition of Versacold Holdings Corp., (Versacold), providing a solid foundation for future growth. Distributions to the Fund's unitholders, currently made monthly, are dependent on the performance of Versacold.

A leading supplier of PRW and distribution services, Versacold is the third largest PRW provider in North America and the second largest in the world based on cubic feet of refrigerated storage space.

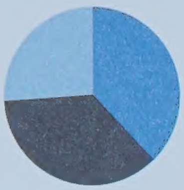
Core Business
temperature controlled integrated supply chain management

Facilities
74 refrigerated and frozen food distribution centres located in the United States, Canada, Australia, New Zealand and Argentina

Total Capacity
272 million cubic feet

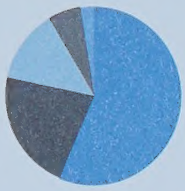
Customers
a diverse range of food producers, processors, wholesalers and retail distributors

Services Include:
- frozen and refrigerated storage
- local, regional, national and international distribution, including less-than-truckload transport
- blast freezing and individual quick freezing of agricultural produce and seafood
- packaging and labeling
- order assembly and load consolidation
- exporting and importing
- container handling
- cross-docking
- government-approved temperature-controlled storage and inspection



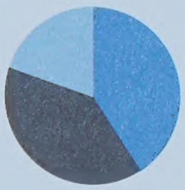
2005 Revenue Breakdown

38% Transportation
36% Distribution Warehouse
26% Production Warehouse



Cubic Feet By Geography

56.6% United States
21.8% Canada
13.1% Australia
6.0% New Zealand
2.5% Argentina



Direct Profit Contribution by Business Area

40.8% Production Warehouse
39.5% Distribution Warehouse
19.7% Transportation

Financial **Summary**

Versacold Income Fund: Annual Results

(amounts in thousands of dollars, except per unit amounts)	2005 (1)	per unit	2004 (2, 5)	per unit	2003 (2, 3, 5)	per unit
Total Revenue	$ 210,352		$ 175,513		$ 148,675	
Direct Profit Contribution	44,503		40,985		35,645	
General and Administrative Expenses	9,630		7,897		7,586	
EBITDA(6)	34,873		33,088		28,059	
Distributable Cash Generated	19,570		22,604		20,680	
Distributable Cash per Unit, basic(4)		0.7961		0.9624		0.9343
Distributable Cash per Unit, diluted(4)		0.7606		0.9355		0.9265
Distributions Declared	22,912	0.9358	21,946	0.9300	20,584	0.9300
Net Earnings(4,7)	5,597	0.24	10,679	0.47	12,292	0.58
Weighted average number of units outstanding for net earnings (excluding minority interest)	23,707,153		22,612,361		21,258,105	
Weighted average number of Units outstanding for distributable cash (including minority interest)						
Basic	24,582,153		23,487,361		22,133,105	
Diluted	32,349,408		26,256,721		22,931,508	

Notes:
1. Results for 2005 reflect the operations from the POCL acquisition from December 16 to December 31.
2. Results for 2004 and 2005 reflect full year operations resulting from the Geneva Lakes acquisition. Results for 2003 reflect two months of Geneva Lakes operations.
3. Restated for asset retirement obligation change in accounting policy, non-controlling interest change in accounting policy, and restatement for future income taxes previously recorded on unit issuance costs.
4. 'Unit' is defined as the total of the Fund trust units plus Special voting units issued to Class B Versacold Group Limited Partnership unitholders. Net earnings per unit is the only per unit measure that excludes the Class B Versacold Group Limited Partnership units.
5. Restated for a change in presentation of Wisconsin fuel surcharge revenues and change in presentation of energy surcharge revenues in Canada.
6. EBITDA means earnings before interest, income taxes, depreciation, amortization, other income or expense and the non-controlling interest.
7. Net earnings per unit amounts are basic and fully diluted.

2005 **Highlights**

- On December 15, we completed the P&O Cold Logistics (POCL) acquisition, becoming the second largest PRW in the world and the third largest in North America.
- Increased annualized distributions to unitholders by 7.5% to $1.00 per unit upon completion of the POCL acquisition.
- Revenue increased by 19.8% to $210.4 million, from $175.5 million in 2004.
- EBITDA increased to $34.9 million, from $33.1 million in 2004, an increase of 5.4%.
- In January, we issued $34.5 million of convertible, unsecured, subordinated debentures to reduce bank debt and help fund our western Canadian expansion program.
- In November, we issued both debentures and units in a public offering in conjunction with the POCL acquisition. We issued $184.2 million of extendible, convertible, unsecured, subordinated debentures, $69.2 million of which was issued to the vendor as partial consideration for the purchase price. We also issued 3.4 million trust units for gross proceeds of $25.5 million.
- In July, we successfully completed a capital lease agreement on our Dawson facility in Winnipeg and prepaid the entire $15.8 million, 25-year rental portion.
- In September, we opened our new 2.2 million cubic foot facility in Lethbridge, Alberta.
- Capital plans for 2006 include new facilities in Pennsylvania (11.6 million cubic feet) and Edmonton, Alberta (3.5 million cubic feet), as well as significant expansions to LaPorte, Texas (3.8 million cubic feet), Valley, British Columbia (2.5 million cubic feet), and Great Plains, Alberta (2.5 million cubic feet).

To Our Unitholders

It was a year of growth and achievement for Versacold.

With our acquisition of P&O Cold Logistics ("POCL") before the close of the year, we more than tripled our size, becoming the second largest PRW company in the world and the third largest in North America. In the process, we realized our objective of expanding our business in the large and growing U.S. market. Versacold now has market-leading positions in major markets including California and Texas, and secondary markets including Boston and Las Vegas. Combined with our existing strength in Canada, we have created a strong North American platform from which to conduct and grow our business.

The acquisition also brought us impressive international assets, including 13 cold storage facilities in Australia, 10 in New Zealand and two in Argentina. We are increasingly impressed with the quality and potential of all of POCL's assets.

POCL operated a highly respected PRW business with first class, profitable operations. We are now the beneficiary of their excellent work in the PRW sector, and we are delighted to welcome POCL's proven operations managers and employees to the Versacold team.

Accretive for Unitholders

I am delighted to report that our unitholders were among the first to benefit from the POCL acquisition, receiving a seven cent increase in annual distributions to $1.00 per unit. This increase reflects the accretive nature of the acquisition, based on an attractive purchase price and the excellent strategic fit of our two companies. While the transaction was based on an accretive purchase multiple rather than speculative synergies, we have also identified and are acting on over $3 million in general and administrative expense synergies.

We believe additional benefits will flow to our unitholders through the increased stability that comes with enhanced customer and geographic diversification, and from the much broader range of growth opportunities available to a company of our new size and scope. Versacold is now a significantly stronger company with enhanced growth prospects.

Canadian Expansion Program

On the topic of growth, 2005 brought continued progress on our Canadian expansion program. We opened our new 2.2 million cubic foot facility in Lethbridge, Alberta in September, broke ground on our new 3.5 million cubic foot Edmonton facility in early March 2006, and initiated major expansion projects at two existing facilities: Valley Center in Abbotsford, BC (2.5 million cubic feet) and Great Plains in Calgary, Alberta (2.5 million cubic feet). Representing a combined investment of approximately $44 million, these four expansions will increase our capacity in Canada by almost 20% and further strengthen our market-leading position in the key British Columbia and Alberta markets.

2005 Financial Achievements

Financially Versacold performed strongly in 2005, generating a 19.8% increase in revenue, an 8.6% improvement in profit contribution and a 5.4% increase in EBITDA. It is important to note that the POCL acquisition closed just two weeks prior to the end of the year, contributing significant acquisition-related costs, but comparatively little in the way of revenues or profit contribution for the year. Our bottom line results also reflect interest on debentures issued to finance our western Canadian expansion program in advance of contribution from the new and expanded facilities. Without non-recurring POCL acquisition related items, but including the two-week contribution

from the POCL assets, our net income would have been approximately $13.7 million ($0.58 per unit) in 2005, compared to $10.7 million ($0.47 per unit) in 2004. Distributable cash generated based on these same assumptions would have been $21.6 million, or $0.8767 per unit, compared to $22.6 million, or $0.9624 per unit, in 2004.

Our operating results reflect the benefits of our new distribution center in Lethbridge, as well as the December contribution from the POCL operations. Across our network, our production warehouses and transportation businesses also turned in an excellent year, with results well above 2004 levels. These gains were partially offset by a more challenging year for some of our Canadian distribution warehouses. We experienced startup issues with a large new customer at our Lachine facility in Montreal during the first half of 2005, and a fire at our Corpak facility in Richmond, B.C. in July. The Corpak fire resulted in one-time insurance deductible expenses, as well as capacity constraints while repairs were completed. Our Dawson facility in Winnipeg, Manitoba was also under space constraints during the year while a scheduled floor repair was undertaken.

2006 Outlook

I am pleased to report that the POCL integration is proving to be seamless and swift, and the new operations are exceeding our expectations. With no duplication of geography or key customers, there has been no need to realign operating personnel and points of service. POCL's operations management team is very capable and has welcomed Versacold's operations-driven culture. Customer acceptance of the change in ownership has also been excellent across our operating regions, with no loss of customers. Accordingly, we anticipate a strong and positive contribution from our new assets in 2006.

In our Canadian operations, we expect to benefit from the added capacity provided by the new Lethbridge facility and the return to normal operations at both the Corpak and Dawson facilities. Our western Canadian expansion program is expected to provide additional capacity as the year progresses, while our specialization in the niche less-than-truckload temperature-controlled segment is continuing to drive growth in our transportation business.

In the United States, our West and Southwest regions are benefiting from excellent volumes, and we are looking forward to a continuation of strong business conditions. We are constructing a 11.6 million cubic feet facility in Pennsylvania and expanding our La Porte facility in Texas by 3.8 million cubic feet.

Our Australian, New Zealand and Argentinian operations have each enjoyed a strong start to the year, and business conditions are expected to continue to exceed expectations through 2006.

Growth remains a strategic objective for Versacold. The North American PRW industry continues to enjoy steady growth each year and the U.S. market is highly fragmented. Numerous opportunities exist for large, well-run PRWs like Versacold to meet the needs of today's larger food companies. We are continuing to review growth opportunities both internally and via accretive acquisition opportunities, primarily in the United States.

As always, our most important objective in 2006 will be to create value for our unitholders. We believe we have made excellent progress on that front in 2005 and we thank the many employees, managers and directors who gave their all during the year to make it happen.

We also thank you, our unitholders, for your interest in Versacold and for your continued trust in our Fund.

Brent Sugden

H. Brent Sugden
President and Chief Executive Officer

HIGHLIGHTS

Completed P&O Cold Logistics acquisition, becoming the second largest PRW in the world and the third largest in North America

Increased annualized distributions to unitholders by 7.5% to $1.00 per unit

Increased revenue by 19.8%

Increased profit contribution by 8.6%

Increased EBITDA by 5.4%

Profile of Services and Operations

Versacold is one of the top three public refrigerated warehousing (PRW) companies in North America and one of the top two in the world, with 74 facilities in the U.S., Canada, Australia, New Zealand and Argentina. Our operations provide global refrigerated storage capacity in excess of 272 million cubic feet, together with integrated transportation services, to a diverse group of food producers, processors, and wholesale and retail distributors.

United States

Versacold is the third largest PRW operator in the U.S., with 26 facilities strategically located around key population centres and trade routes, and critical mass in key markets including California, Texas, Boston and Las Vegas. In 2006, we plan to build a new 11.6 million cubic foot dedicated facility in Pennsylvania and complete a 3.8 million cubic foot expansion at our facility in LaPorte, Texas. Our U.S. operations serve major retailers, producers and food service organizations.

Canada

The second largest PRW provider in Canada, Versacold operates a network of 23 facilities with integrated transportation capabilities, stretching from Montreal to Vancouver. In 2006, we plan to construct one additional facility in Edmonton, Alberta, and complete expansions at existing facilities in Abbotsford, B.C. and Calgary, Alberta. Combined, these projects will increase our Canadian capacity by 8.5 million cubic feet or 14.4%. Our Canadian operations serve a diverse range of food producers, processors, wholesalers and retailers.

Australia

Versacold is the second largest PRW provider in Australia with 13 facilities located in and around the country's four most populous cities. Over 70% of our Australian customer base is made up of grocery retailers, with food manufacturers accounting for the balance. We serve these customers with a full range of cold storage, distribution, refrigerated transport and logistics services.

New Zealand

Versacold is the second largest PRW provider in New Zealand, with 10 facilities, and market-leading positions in Christchurch and Auckland. Our New Zealand operations provide PRW and transportation services to the retail, manufacturing and import and export sectors.

Argentina

Versacold operates two facilities in Buenos Aires, Argentina's most industrialized city. Approximately 60% of our customers in this market are engaged in food commodity exports, with the balance made up of food manufacturing and domestic retail customers. Services provided include freezer, cooler, blast freezing, distribution and dry storage services.

Distribution Centers

Country	Facilities	Capacity
United States	26	154 million cu ft
Canada	23	59 million cu ft
Australia	13	36 million cu ft
New Zealand	10	16 million cu ft
Argentina	2	7 million cu ft
Total	74	272 million cu ft

Management's Discussion and Analysis

March 27, 2006

Industry Overview

The public refrigerated warehouse (PRW) industry provides refrigerated warehousing, inventory management and logistics services to processors, distributors and retailers of frozen and chilled foods. While many growers and food processors operate their own refrigerated storage and distribution facilities, historically the majority of such facilities are owned and operated by independent operators. Third party PRW operators are generally more economical providers of such services.

According to the most recent biennial report published by the U.S. Department of Agriculture (USDA), dated January 2006, capacity in the U.S. PRW sector has grown approximately 13% between 1999 and 2005. This growth has been generated by three factors:

- Increased consumption of frozen and chilled food products;
- Introduction of new temperature controlled products, and
- Continued outsourcing of warehousing, distribution and logistics management functions by the food industry.

According to the International Association of Refrigerated Warehouses (IARW), in 2004, Canadian PRW companies operated approximately 224 million cubic feet of refrigerated warehouse space. Versacold alone accounts for approximately 26% of the Canadian PRW market's refrigerated warehouse space. Versacold and one other company account for approximately 55% of Canadian PRW capacity.

According to the most recent USDA report as at October 1, 2005 in the United States, there were approximately 821 facilities comprising 2.4 billion cubic feet of PRW space. The ten largest U.S. companies account for approximately 58% of the PRW market in the United States. Versacold's U.S. business accounts for approximately 7% of the total U.S. market.

About Versacold Income Fund

Versacold Income Fund (the "Fund") was created to invest in public refrigerated warehousing and distribution (PRW) businesses through our wholly-owned subsidiary, Versacold Holdings Corp.

On December 15th, we completed the acquisition of P&O Cold Logistics ("POCL"), the public refrigerated warehousing and distribution business of the Peninsular and Oriental Steam Navigation Company ("P&O"), for a total value of $398 million.

After giving effect to the POCL acquisition, we are the second largest supplier in the world in terms of cubic feet of refrigerated storage space. We operate a network of 74 facilities providing approximately 272 million cubic feet of frozen, refrigerated and dry storage capacity. We are the third largest supplier in North America, and hold market leading positions in key regions including California, Texas, Boston, and Las Vegas.

Our network supports two distinct but interrelated types of business: warehousing and transportation. Services in both segments focus on products that require a temperature-controlled environment.

We earn revenue and profits from our network in the following ways:

Warehousing: Our services in the warehousing segment include storage, freezing, handling and processing of temperature-controlled foods. Revenue from storage services is based upon the length of time products are held in our facilities. Handling services are charged only once, upon initial receipt of the products. Freezing and processing services are charged as appropriate, depending upon the services provided.

The provision of storage and freezing services provides a high profit contribution margin as a percentage of revenue, since much of the revenue is to compensate us for the cost of invested assets. Handling services produce a lower profit contribution margin than our other warehousing services because there is a higher labour cost component. The overall profit margin of an individual warehouse varies depending on the average length of stay of the product, the amount of freezing services provided, and the level of the handling services provided.

Our warehousing business can be further divided into two broad categories: distribution and production. The determination is based upon whether the facility is predominantly used for market-area distribution of packaged goods or the handling and storage of products closer to the production point.

Our distribution warehouses typically serve many customers in a particular market area and provide transportation services for packaged goods stored at the warehouse, as well as for other frozen food in the market area.

Our production warehouses act as an extension of one or a few frozen food manufacturers who utilize the warehouses to store food products before they are shipped for further processing or to market.

These two types of warehouses have different drivers of results. Distribution warehouses are generally less seasonal and depend more upon the market area and supply chain variables than on crop cycles. Production warehouses are more seasonal with capacity utilization dependant on crop production cycles. Few warehouses serve only distribution or only production, but it is useful to categorize warehouses according to their predominant type of use.

Transportation: In our transportation segment, we provide transport services to warehousing and non-warehousing customers. We pick up products, transport them to warehouses in our network, and then combine them with other products into truckloads. Profit margin on our transportation services is lower than that on our warehousing services, but this business also requires significantly less investment in equipment. We outsource the majority of our trucking to independent owner-operators and lease the majority of our trailers.

Performance Summary

Non-GAAP Financial Measures

Certain earnings measures used in this Annual Report, namely "Profit Contribution", "Distributable Cash" and "EBITDA" (earnings before interest, income taxes, depreciation, amortization, other income or expense and the non-controlling interest), are not earnings measures recognized by Canadian generally accepted accounting principles. We believe that these earnings measures are useful supplemental measures of performance as they provide investors with an indication of the amount of cash available for distribution to unitholders. Investors should be cautioned, however, that Profit Contribution, EBITDA and Distributable Cash should not be construed as alternatives to using net income as a measure of profitability or the statement of cash flows as a measure of liquidity and cash flows. Further, the Fund's method of calculating Profit Contribution, EBITDA and Distributable Cash may not be comparable to similarly titled amounts reported by other issuers.

Forward Looking Statements

This MD&A may contain forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors outside of our control that could cause actual results to differ materially from those expressed in the forward-looking statements. Versacold does not assume responsibility for the accurateness and completeness of the forward-looking statements and does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

For additional information on Versacold, readers should also refer to Versacold's Annual Information Form and other additional information filed on www.sedar.com.

Disclosure Controls

A formal disclosure policy was approved by the board of directors of Versacold Holdings Corp. in 2004 and is posted on our website (www.versacold.com). Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of disclosure controls and procedures related to the preparation of the annual filings, including the management's discussion and analysis, the consolidated financial statements, Annual Information Form and Information Circular. Based on their evaluation, they have concluded that the Fund's disclosure controls and procedures were effective, at a reasonable assurance level, to ensure that material information relating to the Fund and its consolidated subsidiaries would be made known to them by others within those entities, as of the end of the period covered by the annual filings.

The following is a reconciliation of profit contribution, EBITDA and distributable cash to net earnings:

(in thousands of dollars)	Years Ended		
	Dec. 31, 2005	Dec. 31, 2004 (Note 2)	Dec 31, 2003 (Notes 1,2)
Revenue	210,352	175,513	148,675
Center expenses	165,849	134,528	113,030
Profit contribution	44,503	40,985	35,645
Less: general and administrative	(9,630)	(7,897)	(7,586)
EBITDA	34,873	33,088	28,059
Amortization	(18,471)	(20,064)	(10,935)
Interest on long-term debt and debentures	(10,880)	(7,845)	(4,009)
Provincial capital taxes	(202)	(140)	(193)
Other income (expense)	(4,379)	4,022	(577)
Non-controlling interest	(278)	(410)	(488)
Income taxes recovery	4,934	2,028	435
Net earnings	5,597	10,679	12,292
Items not involving cash:			
Amortization	18,471	20,064	10,935
Loss on disposal of capital assets	127	543	127
Loss on financial instruments for POCL acquisition	6,327	–	–
Unrealized loss (gain) on operational financial instruments	(2,898)	438	–
Accretion of convertible debentures	401	154	38
Foreign exchange gain	(1,740)	(5,077)	–
Write off of deferred financing costs	871	55	–
Future income taxes	(5,543)	(2,472)	(1,094)
Unit based compensation	408	–	–
Non-controlling interest	278	410	488
Other	(301)	42	431
Cash flow from operations before working capital changes	21,998	24,836	23,217
Sustaining capital expenditures	(2,428)	(2,232)	(2,537)
Distributable cash	19,570	22,604	20,680
Distributable cash per Unit (basic) (Note 3)	0.7961	0.9624	0.9343
Distributable cash per Unit (diluted) (Note 3)	0.7606	0.9355	0.9265

Notes:
1. Restated for non-controlling interest change in accounting policy and future income taxes previously recorded on unit issuance costs.
2. Restated for change in presentation of Wisconsin fuel surcharge revenues and change in presentation of energy surcharge revenues in Canada.
3. 'Unit' is defined as the total of the Fund trust units plus Special voting units issued to Class B Versacold Group Limited Partnership unitholders.

Annual Results

(amounts in thousands of dollars, except per unit amounts)	Years Ended		
	Dec. 31, 2005 (Note 1)	Dec. 31, 2004 (Notes 2,6)	Dec. 31, 2003 (Notes 2,3,6)
Revenue	210,352	175,513	148,675
EBITDA	34,873	33,088	28,059
Net Earnings	5,597	10,679	12,292
Net Earnings per unit (Notes 4, 5)	0.24	0.47	0.58
Distributable Cash	19,570	22,604	20,680
Distributable Cash per Unit, basic (Note 4)	0.7961	0.9624	0.9343
Distributable Cash per Unit, diluted (Note 4)	0.7606	0.9355	0.9265
Distributions Declared	22,912	21,946	20,584
Distributions Declared per Unit	0.9358	0.9300	0.9300
Weighted average number of units outstanding for net earnings (excluding minority interest), basic and diluted.	23,707,153	22,612,361	21,258,105
Weighted average number of Units outstanding for distributable cash (including minority interest):			
Basic	24,582,153	23,487,361	22,133,105
Diluted	32,349,408	26,256,721	22,931,508

Notes:
1. Results for 2005 reflect the operations from the POCL acquisition from December 16 to December 31.
2. Results for 2004 and 2005 reflect full year operations resulting from the Geneva Lakes acquisition. Results for 2003 reflect two months of Geneva Lakes operations.
3. Restated for asset retirement obligation change in accounting policy, non-controlling interest change in accounting policy, and restatement for future income taxes previously recorded on unit issuance costs.
4. 'Unit' is defined as the total of the Fund trust units plus Special voting units issued to Class B Versacold Group Limited Partnership unitholders. Net earnings per unit is the only per unit measure that excludes the Class B Versacold Group Limited Partnership units.
5. Net Earnings per unit amounts are basic and fully diluted.
6. Restated for a change in presentation of Wisconsin fuel surcharge revenues and change in presentation of energy surcharge revenues in Canada.

Revenue

Comparisons of Annual Revenue

(in thousands of dollars)	2005 (Note 1)	%	2004 (Note 2, 3)	%	2003 (Notes 2, 3)	%
Distribution Warehouse Revenue	75,676	36	60,054	34	60,810	41
Production Warehouse Revenue	53,925	26	50,623	29	38,781	26
Transportation Revenue	80,751	38	64,836	37	49,084	33
Total Revenue	210,352	100	175,513	100	148,675	100

Notes:
1. Results for 2005 reflect the operations from the POCL acquisition from December 16 to December 31.
2. Results for 2004 and 2005 reflect full year operations resulting from the Geneva Lakes acquisition. Results for 2003 reflect two months of Geneva Lakes operations.
3. Restated for a change in presentation of Wisconsin fuel surcharge revenues and change in presentation of energy surcharge revenues in Canada.

Profit Contribution

Comparisons of Annual Profit Contribution

(in thousands of dollars)	2005 (Note 1)	Margin %	2004 (Note 2)	Margin %	2003 (Notes 2,3)	Margin %
Distribution Warehouse Profit Contribution	17,575	23.2	15,670	26.1	17,976	29.6
Production Warehouse Profit Contribution	18,143	33.6	17,432	34.4	12,390	31.9
Transportation Profit Contribution	8,785	10.9	7,883	12.2	5,279	10.8
Total Profit Contribution	44,503	21.2	40,985	23.4	35,645	24.0

Notes:
1. Results for 2005 reflect the operations from the POCL acquisition from December 16 to December 31.
2. Results for 2004 and 2005 reflect full year operations resulting from the Geneva Lakes acquisition. Results for 2003 reflect two months of Geneva Lakes operations.
3. Restated for asset retirement obligation change in accounting policy.

Our total revenue grew by 19.8% between 2004 and 2005, and by 41.5% between 2003 and 2005.

Profit contribution on our revenues also grew, climbing 8.6% between 2004 and 2005, and 24.9% between 2003 and 2005. These increases reflect growth in our production warehouse and transportation revenues, as well as growth resulting from the two-week contribution from the acquired POCL operations.

Distribution Warehouse Results

Distribution warehouse revenue increased $15.6 million, or 26.0% between 2004 and 2005. This increase was due primarily to the two weeks of operations from the acquired POCL locations ($14.7 million), as well as revenue increases from several locations in our Canadian network.

Profit contribution from our distribution warehouses increased by $1.9 million, or 12.2% between 2004 and 2005. The increase in profit contribution primarily reflects the contribution provided from the two weeks of operations from the POCL locations of $3.0 million. This increase was partially offset by the combination of the effects of fire insurance deductibles at our Corpak facility; pricing changes and cost increases incurred at various facilities; and startup issues relating to space constraints with a large new customer at our Lachine facility in Montreal. The startup issues were encountered in the second quarter of 2005 and were subsequently corrected in the second half of the year with the relocation of the new customer to our Walker Center in Brampton.

Production Warehouse Results

Revenue from our production warehouses increased by $3.3 million, or 6.5% from 2004. Two weeks of operations from the acquired POCL operations provided $1.4 million of the revenue increase. The remainder of the increase was the result of increased storage and processing of domestic beef and vegetable products at various locations in Canada and a strong herring season in our Pacific region. Revenue gains were partially offset by a negative foreign exchange impact resulting from the translation of our U.S. facilities' results into Canadian dollars. The value of the Canadian dollar appreciated compared to the U.S. dollar in 2005. See 'Managing Financial Risk' section for further discussion regarding the management of our foreign currency exposure.

Profit contribution from our production warehouses also grew during the period, climbing $0.7 million, or 4.1% compared to 2004. The increase in profit contribution primarily reflects the increase in revenues. The acquired POCL operations provided approximately $0.2 million of the $0.7 million increase in contribution.

Transportation Results

Transportation revenue increased by $15.9 million, or 24.5%, from 2004. This increase reflects increased activity across all of our transportation markets as well as an increase in fuel surcharge revenues. Two weeks of operations from the acquired POCL operations provided $4.7 million of the revenue increase. Profit contribution increased $0.9 million, or 11.4% from 2004, including approximately $0.1 million from the acquired POCL operations. The increase in transport profit contribution reflects the higher transportation revenues. These increases were partially offset by increased costs related to startup issues with the new large customer at our Lachine facility in Montreal.

EBITDA

For the twelve months ended December 31, 2005, EBITDA increased $1.8 million, or 5.4% from 2004. This reflects the $3.5 million increase in direct profit contribution, partially offset by a $1.7 million increase in general and administrative (G&A) expenses of which $0.8 million was from the acquired POCL operations. EBITDA expressed as a percentage of revenue decreased to approximately 16.6% from 18.9% in 2004.

As a percentage of revenue, G&A costs remained consistent with 2004 at approximately 4.5%. This reflects our continued efforts to maintain head office expenditures at the same level while increasing the revenue base.

Net Earnings

Net earnings for 2005 decreased $5.1 million, or 47.6% from 2004. The decrease in net earnings primarily reflects the $6.3 million loss on foreign exchange contracts that were put in place to mitigate the foreign currency risk associated with the POCL acquisition. In addition, the results include the effects of a $3.6 million increase in gains on other financial instruments, principally energy purchase contracts, offset by a $3.3 million decrease in gains from foreign denominated debt. The gains on foreign denominated debt were gains related to the strengthening Canadian dollars effect on U.S. dollar denominated debt. Net earnings also included the effects of a $2.9 million increase in debenture interest and a $2.6 million increase in refinancing costs. Debenture interest increased as the result of the January 2005 debenture offering and the debentures issued to help finance the POCL acquisition. The increase in refinancing charges is primarily the result of debt repayment penalties and the write off of deferred charges associated with the US$38.2 million denominated loan with the Prudential Insurance Company of America. These decreases were offset by the $1.8 million increase in EBITDA, a decrease in amortization expense of $1.6 million and the $2.9 million increase in income tax recovery.

Effect of POCL Acquisition on Net Earnings and Distributable Cash

The POCL operations positively contributed to our 2005 revenues ($20.8 million), profit contribution ($3.3 million) and EBITDA ($2.4 million). There were also some non-recurring expenses recorded in the fourth quarter of 2005 associated with the acquisition. These expenses included: interest expense related to the convertible debentures from the closing of the offering to the closing of the acquisition, net of interest income earned during the same period ($0.3 million), prepayment penalties and write off of deferred charges for U.S. denominated debt ($2.6 million) and the realized loss on forward currency contracts that were put in place to mitigate the foreign currency risk associated with the acquisition ($6.3 million). Without these non-recurring items, but including the POCL acquired assets, Versacold would have reported approximately $13.7 million in after-tax net income ($0.58 per unit) for the year and approximately $21.6 million in distributable cash ($0.8767 per unit).

Amortization

Amortization expense is comprised of amortization of capital assets, deferred financing charges, and intangible assets relating to customer contracts and acquired customer relationships. The decrease in amortization expense in 2005 is principally related to a $1.4 million write-down that was taken on one of our customer contracts in the fourth quarter of 2004.

Interest Expense

For the year ended December 31, 2005, interest expense was $10.9 million compared to $7.8 million in 2004. This increase principally reflects $2.0 million of interest associated with the $34.5 million offering of 6.25% convertible unsecured subordinated debentures in January of 2005. Funds from the offering were used to pay off some existing debt, finance the construction of our new facility in Lethbridge, Alberta and to finance the new capital lease of our Dawson facility in Winnipeg (see 'Capital Expenditures' section for further details regarding this transaction). Increased interest costs also reflect $1.1 million of interest from the $184.2 million offering of 7.0% convertible unsecured subordinated debentures related to the acquisition of POCL. The senior debt, excluding capital leases, weighted interest rate at December 31, 2005 was 6.1%, compared to 6.0% in 2004. The weighted average years to maturity on our senior debt, excluding capital leases, at December 31, 2005 was 4.0 years (2004: 5.8 years).

Other Expense

Other expense of $0.4 million in 2005 compares to other expense of $0.6 million in 2004. The 2005 amount is primarily comprised of interest income earned on surplus cash, offset by various other costs, including losses on disposal of capital assets and costs incurred to review potential acquisitions.

Other expense of $0.6 million in 2004 is primarily comprised of $0.5 million of losses on disposal of capital assets.

Loss on Financial Instruments

Loss on financial instruments of $3.2 million compares to a loss of $0.4 million in 2004. The 2005 amount is primarily comprised of a $6.3 million loss on forward currency contracts. The contracts were put in place to mitigate the foreign currency risk associated with the POCL acquisition. This loss is partially offset by a $2.5 million unrealized gain on our energy contracts (2004: loss of $0.4 million), and $0.7 million in gains on foreign currency contracts.

Foreign Exchange Gain

The foreign exchange gain of $1.7 million in 2005 compares to a gain of $5.1 million in 2004. The foreign exchange gain relates primarily to the translation of the US$38.2 million privately placed senior notes with the Prudential Insurance Company of America that were paid off on December 16, 2005. These gains are the result of the significant appreciation of the Canadian dollar in relation to the U.S. dollar that occurred throughout 2004 and 2005. The total exchange gain on the Prudential loan that was realized upon the settlement of the debt was approximately $7.0 million.

Refinancing Costs

Versacold incurred refinancing costs totaling $2.6 million resulting from debt prepayment penalties and the write-down of the associated deferred charges on debts that were retired in conjunction with the POCL acquisition.

Income Taxes

Income tax recovery was $4.9 million in 2005, compared to $2.0 million in 2004. The increase in income tax recoveries primarily reflects the reduction in net income from 2004.

Versacold's corporate organizational structure is a trust over a corporation structure, whereby most entities below the trust are taxable. Taxable income earned below the trust is offset with loss carry forwards and tax depreciation. Interest and dividend income earned by the trust is flowed to and taxable to the unitholders.

The income characterization of the distributions paid to unitholders in 2005 was approximately 52% interest, 27% dividends and 21% return of capital.

Distributable Cash

Distributable cash is not a standardized measure under Canadian generally accepted accounting principles. Distributable cash as calculated by us may not be comparable to similar measures presented by other issuers. For the consolidated financial statements we define distributable cash as equal to cash flow from operations before working capital changes, less amounts reserved for sustaining capital. Note that not all capital expenditures incurred are deducted in our distributable cash calculation, only those considered to be sustaining in nature.

The distributable cash per unit is calculated by dividing the aggregate amount of distributable cash by the weighted average number of Fund trust units and Class B LP units of Versacold Group Limited Partnership outstanding at the distribution record date.

Our policy is to provide equal monthly distributions to unitholders based upon estimated distributable cash for the year. If necessary, we will use cash or borrow under the revolving term loan to support distribution payments, subject to limitations in the credit agreement. Consistent with this policy, distributions declared for the year ended December 31, 2005 totaled $22.9 million ($0.9358 per unit) compared to $21.9 million ($0.9300 per unit) declared in 2004.

Cash Flow

Prior to adjusting for non-cash operating working capital, 2005 cash flow from operations totaled $22.0 million, compared to $24.8 million in 2004. The lower cash flow in 2005 primarily reflects debt repayment penalties associated with the POCL acquisition and increased interest expense, partially offset by the increase in EBITDA.

Capital Expenditures

Capital expenditures, including capital leases, totaled $48.8 million, compared to $13.4 million in 2004.

Significant capital expenditures in 2005 included:

1) $16.0 million prepayment of the capital lease of our Dawson facility;

2) $9.7 million relating to the land purchase and construction of a new facility in Pennsylvania;

3) $8.1 million associated with the land purchase, planning and construction of our new Lethbridge facility;

4) $5.6 million for building and refrigeration improvements throughout various facilities, $2.7 million of which related to costs associated with the floor repair at our Dawson facility;

5) $1.2 million for warehouse and blast freezing equipment;

6) $2.3 million for our new facility in Edmonton, Alberta;

7) $0.9 million relating to the expansion of our Great Plains facility; and

8) $0.7 million for racking upgrades.

Significant capital project commitments for 2006 total approximately $65.5 million and include the following:

- $12.6 million to complete the construction of a new facility in Edmonton, Alberta;
- $10.8 million to complete the expansion of our Valley facility in British Columbia;
- $7.2 million to complete the expansion of the LaPorte location in Texas;
- $7.8 million to complete the expansion of our Great Plains facility in Alberta;
- $27.1 million is committed to be spent on the completion of the construction of an 11.6 million cubic foot new facility in Pennsylvania. We expect this facility to be sold and leased back to us during the first half of 2006.

These major capital projects currently underway will add approximately 8.5 million cubic feet to the Canadian operations and approximately 15.4 million cubic feet to the United States operations for a total of 23.9 million cubic feet, representing an 11.2% increase in our North American capacity. Other routine sustaining replacements and enhancements for 2006 are expected to total $16.0 million, including $3.0 million for upgrades and improvements for the Lachine facility in Montreal.

Our Canadian expansion program has been affected by the increasing demand and associated costs of labour and materials in both British Columbia and Alberta. Although we have mitigated some of the rising costs by purchasing key materials in advance of construction for some projects, we have seen increases in our expected costs of these projects. We continue to believe that these projects will produce strong returns, and that the rising construction costs are primarily a byproduct of the strengthening economies in these provinces from which we will realize future benefits with our expanded presence.

The Pennsylvania facility is being built as a distribution center for a major retail customer under a contract arrangement. The customer will occupy approximately 65% of the building with the remainder being utilized by customers who supply the retailer and other customers in the area. The contract is for an initial term of 15 years and specifies a fixed price per case and other operational requirements. This contract may be amended by mutual agreement of the Company and the retail customer for certain arrangements currently under discussion.

Funding for our current and future growth initiatives will be provided either by borrowing under the new credit facility which currently has $94.8 million available or by issuing additional securities.

On July 29, 2005, we successfully completed a capital lease agreement with respect to our strategically located Dawson facility in Winnipeg. The capital lease agreement was structured as a 25-year lease with a $0.5 million purchase option at the end of the lease term. We prepaid the entire $15.8 million, 25-year rental portion of the lease with cash on hand and bank debt. There will be no significant remaining obligation other than the $0.5 million purchase option at the end of the lease term. This agreement released us from our previous operating lease, under which we paid $1.5 million in rent expense per annum.

In September of 2005, we completed construction and began receiving customer inventory at our new 2.2 million cubic foot facility in Lethbridge, Alberta. This facility accommodates a full range of services including storage, blast freezing, inventory management and distribution.

Note that only capital expenditures considered as sustaining capital expenditures are funded through amounts retained from distributable cash. Other capital expenditures will be funded through borrowings under our available lines of credit or by issuing additional securities.

Liquidity and Cash Resources

In January 2005, we issued $34.5 million of 6.25% convertible unsecured subordinated debentures which mature on January 31, 2010. The proceeds were used to pay off some existing debt, finance the construction of our new facility in Lethbridge, Alberta and finance the capital lease prepayment of our Dawson facility in Winnipeg. The convertible debentures are exchangeable into units at the exchange price of $10.15 per unit. There were no 6.25% debenture exchanges in 2005, however we expect debenture exchanges in 2006 and in subsequent years.

On November 24, 2005, the Fund issued convertible unsecured subordinated debentures in the aggregate principal amount of $115 million. On December 16, 2005 an additional $69.2 million was issued to P&O Holdings Inc. concurrent with the completion of the POCL acquisition. The convertible debentures mature on December 31, 2010 and bear an annual interest rate of 7.0%. The convertible debentures are exchangeable into units at the exchange price of $8.35 per unit. A face value of $0.8 million 7.0% debenture exchanges occurred in 2005 and we expect debenture exchanges in 2006 and in subsequent years.

On December 15, 2005, Versacold entered into a new credit facility and concurrently paid off all amounts outstanding on both the $20 million facility, and the US$38.2 million privately placed non-amortizing debt. A $1.2 million prepayment penalty was incurred to prepay the US$38.2 million debt. The new credit facility consists of a $50 million revolving term facility and a non-revolving term facility, held by a syndicate of banks and life insurance companies. The $50 million revolving term facility consists of a $10 million operating facility and a $40 million revolving term credit facility. At December 31, 2005 the $10 million operating facility had not been drawn upon, $5.2 million was drawn on the $40 million term credit facility and $250.9 million was drawn on the non-revolving term facility. Under the terms of the credit agreement Versacold has until June 15, 2007 to draw an additional $50 million from the non-revolving term credit facility for expansion capital expenditures and until December 15, 2006 to repay the bridge equity loan of $49.8 million.

As part of the completion of the acquisition of POCL, Versacold will pay approximately $25.4 million in March 2006 for the settlement of the working capital acquired.

Our future debt levels can be influenced by our income trust structure. As an income trust, we seek to maintain a steady payout to our unitholders. For 2005, we declared distributions amounting to 117% (2004: 97%) of the total distributable cash generated. This excess of distributions declared over that of distributable cash generated is due primarily to the cash effect of several non-recurring costs associated with the POCL acquisition. Excluding the non-recurring items, but including the POCL acquired assets, we would have generated distributable cash of approximately $21.6 million, and declared distributions amounting to 106% of the distributable cash generated.

Contractual Obligations

The following is a summary of contractual obligations as at December 31, 2005.

Payments Due by Period

(amounts in thousands of dollars)	Total	2006	2007	2008	2009	2010	Thereafter
Long-Term Debt	290,790	55,352	-	-	206,363	29,075	-
Capital Lease Obligations	9,065	759	510	472	463	506	6,355
Convertible Debentures (Note 1)	240,821	-	-	22,973	-	217,848	-
Operating Leases	100,166	29,802	21,652	16,252	7,527	5,168	19,765
Total Contractual Obligations	640,842	85,913	22,162	39,697	214,353	252,597	26,120

Notes:
1. Amounts represent face value of debentures.

Selected Quarterly Financial Data

(in thousands of dollars, except per unit amounts)

	Three Months Ended							
	December 31, 2005	September 30, 2005 (Note 5)	June 30, 2005 (Note 5)	March 31, 2005 (Note 5)	December 31, 2004 (Notes 4, 5)	September 30, 2004 (Notes 1,4,5)	June 30, 2004 (Note 1,4,5)	March 31, 2004 (Notes 1,4,5)
Revenue	70,205	49,629	46,268	44,250	46,012	46,690	42,450	40,361
Profit Contribution	13,492	10,336	10,092	10,583	10,405	11,002	9,874	9,704
EBITDA	10,190	8,511	7,853	8,319	8,711	9,132	7,693	7,552
Net Earnings (Loss)	(3,682)	4,943	1,599	2,737	2,863	3,935	1,811	2,070
Net Earnings (Loss) per unit (Notes 2,3)	(0.15)	0.21	0.07	0.12	0.12	0.17	0.08	0.10
Distributable Cash	3,557	5,186	5,092	5,735	6,330	6,351	4,762	5,161
Distributable Cash per Unit, basic (Note 3)	0.1379	0.2145	0.2107	0.2373	0.2622	0.2662	0.2027	0.2299
Distributable Cash per Unit, diluted (Note 3)	0.1378	0.2047	0.2013	0.2238	0.2534	0.2569	0.1995	0.2223
Distributions Declared	6,052	5,622	5,619	5,619	5,615	5,569	5,486	5,276
Distributions Declared per Unit (Note 3)	0.2383	0.2325	0.2325	0.2325	0.2325	0.2325	0.2325	0.2325

Notes:
1. Restated for non-controlling interest change in accounting policy and for future income taxes previously recorded on unit issuance costs.
2. Net Earnings per unit is basic and fully diluted.
3. 'Unit' is defined as Versacold Income Fund trust units plus Special voting units issued to Class B Versacold Group Limited Partnership unitholders. All per unit measures include the Class B Versacold Group Limited Partnership units with the exception of net earnings per unit.
4. Restated for change in presentation of Wisconsin fuel surcharge revenues.
5. Restated for change in presentation of energy surcharge revenues in Canada.

The above table provides selected quarterly financial information for the eight most recent fiscal quarters to December 31, 2005. This quarterly information is unaudited, but reflects all adjustments of a normal, recurring nature which are, in our opinion, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

Revenue for the fourth quarter of 2005 included distribution warehouse revenue of $30.5 million (2004: $15.8 million), production warehouse revenue of $14.6 million (2004: $12.7 million), and transportation revenue of $25.1 million (2004: $17.5 million).

The increase in 2005 distribution revenue primarily reflects the effect of the two weeks of operations from the POCL locations ($14.7 million), as well as increased revenues from the Prairie region which benefited from the opening of the new distribution center in Lethbridge, Alberta at the end of the third quarter. The revenue gains were partially offset by volume and pricing changes at some facilities in our Canadian network.

The increase in production warehouse and transportation revenue primarily reflects the effect of the two weeks of operations contributed by the POCL locations ($1.4 million and $4.7 million respectively) combined with increased activity across all of our transportation markets.

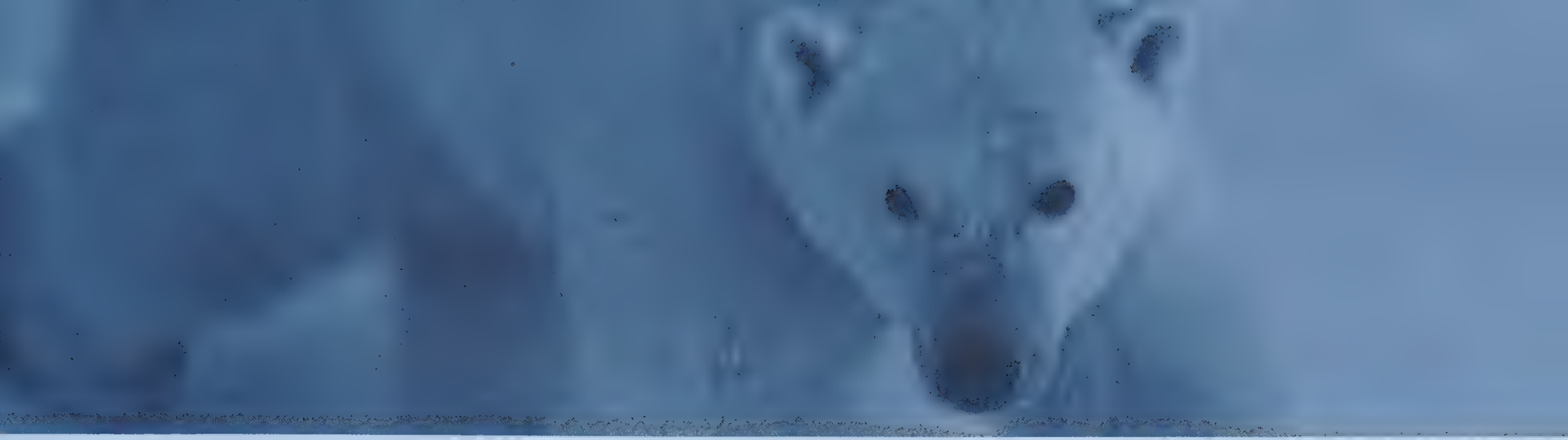
Profit contribution for the fourth quarter of 2005 included distribution warehouse contribution of $6.8 million (2004: $4.2 million), production warehouse contribution of $4.4 million (2004: $4.5 million), and transportation contribution of $2.2 million (2004: $1.7 million).

The $2.6 million increase in distribution warehouse contribution primarily reflects the effect of the two weeks of operations contributed by the POCL locations ($3.0 million), offset by decreases resulting from changes in volume and pricing at several facilities in Canada.

The $0.1 million decrease in production warehouse contribution primarily reflects the impact of reduced potato volumes at one of our facilities due to a scheduled customer shutdown in the fourth quarter. This decrease was offset by the effect of the two weeks of operations contributed by the POCL locations ($0.2 million), combined with increased contribution at our Dawson facility in Winnipeg. The improvement at the Dawson facility reflects elimination of the lease expense (see 'Capital Expenditures' section for additional information) as well as increased capacity resulting from the completion of the scheduled floor repair at this facility.

Transportation contribution increased from 2004 due to the two weeks of contribution from the acquired POCL locations in the year ($0.1 million), as well as increased contribution resulting from increased volumes across our network.

For the three months ended December 31, 2005, EBITDA was $1.5 million higher than in the same period in 2004. The difference reflects the $3.1 million increase in direct profit contribution, partially offset by a $1.6 million increase in G&A expenses.



As a percentage of revenue, EBITDA was 14.5% for the fourth quarter of 2005, compared to 18.9% during the same period in 2004. G&A expenses, as a percentage of revenue, increased to 4.7% during the last three months of 2005, from 3.7% during the comparable period in 2004.

Net loss for the fourth quarter of 2005 was $3.7 million ($0.15 per unit), compared to net earnings of $2.9 million ($0.12 per unit) in the same period of 2004. Changes in the various components of net earnings are as follows:

- a $1.1 million increase in interest expense, primarily comprised of $1.7 million from the debentures issued in 2005, offset by $0.6 million decrease in senior debt interest expense;
- a $6.3 million loss on forward currency contracts that were put in place to mitigate the foreign currency risk associated with the purchase of the POCL operations;
- a $2.6 million increase in refinancing costs due to the POCL acquisition; and
- an increase in the realized foreign exchange loss of $2.3 million.

These increased costs were offset by the $1.5 million increase in EBITDA, a $0.9 million decrease in amortization expense, a $1.4 million increase in the gain on the energy contract, and a $2.5 million increase in income tax recoveries resulting primarily from the change in net earnings.

Effect of POCL Acquisition on Fourth Quarter Net Earnings and Distributable Cash

The POCL operations positively contributed to our fourth quarter revenues ($20.8 million), profit contribution ($3.3 million) and EBITDA ($2.4 million). There were also some non-recurring expenses recorded in the fourth quarter of 2005 associated with the acquisition. These expenses included: interest expense related to the convertible debentures from the closing of the offering to the closing of the acquisition, net of interest income during the same period ($0.3 million), prepayment penalties and write off of deferred charges for U.S. denominated debt ($2.6 million), and the realized loss on forward currency contracts that were put in place to mitigate the foreign currency risk associated with the acquisition ($6.3 million). Without these non-recurring items, but including the POCL acquired assets, Versacold would have reported approximately $4.5 million in after-tax net income ($0.18 per unit) for the fourth quarter and approximately $5.5 million in distributable cash ($0.2146 per unit).

Critical Accounting Estimates

Use of estimates

The preparation of the financial statements requires us to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to the determination of the net collectible amount of accounts receivable, the provision for claims, contingencies, asset retirement obligations, the useful life of capital assets, and the valuation of goodwill, intangible assets, and future tax assets. Actual results could differ from these estimates.

Accounts receivable provision

We establish our accounts receivable provision by reviewing the accounts receivable outstanding at period end and providing for any amounts which we believe will not be collected in the regular course of operations. There is a risk that certain accounts receivables which we believed would be collectible may not ultimately be collected. If this occurs, it may result in additional bad debt provision charges to the statement of operations.

Provision for claims

We establish our claims provision based on our best estimates of future payments and recoveries from insurance companies. There is a risk that actual amounts realized may ultimately differ from our estimates, resulting in charges or credits to the statement of operations.

Capital assets and intangible assets

We have made estimates relating to the life of capital assets and intangible assets which result in specific amortization periods for those balances. Should the life of those assets decline due to changes in business circumstances, technological change, or other factors, we may be required to revise our estimates. Revisions to our estimates would be reflected as additional amortization in the statement of operations for future periods.

Managing Financial Risk

Effective January 1, 2004, we adopted Accounting Guideline 13, Hedging Relationships, which sets out new rules for determining hedges for accounting purposes.

In 2001, a subsidiary of the Fund entered into energy contracts to effectively fix the price of five megawatts per hour of electrical energy in Alberta. These contracts expire at the end of 2005. In 2003, the subsidiary entered into a separate contract to sell through the end of 2005, four megawatts per hour of power at the same price as the 2001 contracts, and to purchase, through 2008, four megawatts per hour of power at a lower price. Our usage of power in Alberta has decreased to slightly less than five megawatts per hour since 2001, due to energy conservation measures. As the contracts are not designated as a hedge, changes in the market value of the contracts at each balance sheet date will be recorded in the statement of operations as an income or loss item.

The changing value of the Canadian dollar relative to the U.S. dollar could affect our results. A strengthening Canadian dollar results in lower revenues and profit contribution from our U.S. operations when reported in Canadian dollars. For the year ended December 31, 2005, approximately 22% (2004:18%) of our total revenues related to our U.S. operations. Offsetting the U.S. dollar denominated revenues is the fact that 50% ($149.4 million) of our total senior debt at December 31, 2005 is denominated in U.S. dollars. The U.S. dollars generated from our U.S. operations will be used to pay interest on our U.S. dollar debt, as well as inter-company interest, dividends and management fees.

Versacold has entered into foreign currency forward contracts, with major financial institutions to sell specific amounts of U.S. dollars as of the end of each quarter until the end of 2006 and starting in January 2006 to sell specific amounts of U.S., Australian and New Zealand dollars each month until December 14, 2009. The purpose of entering into these contracts is to partially offset the variability in the future value of the Canadian dollar, when these foreign currencies are repatriated to Canada. These foreign exchange contracts were entered to reduce foreign exchange risk, but were not designated as hedge instruments. These foreign currency forward contracts were recognized on a mark to market basis. Any realized or unrealized foreign exchange gains or losses are recorded in the statement of operations.

In February 2006 Versacold entered into Canadian and U.S. interest rate swap arrangements with a syndication of major Canadian financial institutions. The purpose of entering into these interest rate swap arrangements is to reduce the risk of rising interest rates on a portion of Versacold's floating rate debt. The CDN$50 million contract was fixed at 4.42% plus the applicable margin per the Credit Facility and the US$43.5 million contract was fixed at 5.05% plus the applicable margin per the Credit Facility. Both interest rate swap maturities coincide with the December 15, 2009 maturity of the Credit Facility. These interest rate swap arrangements will be recognized on a mark to market basis and any unrealized gains or losses will be recorded in the statements of operations.

Racking Failure and Partial Roof Collapse at the Brampton, Ontario Facility

On August 23, 2003, there was a racking failure and partial roof collapse at Versacold's Walker facility in Brampton, Ontario. The rebuild of the Walker facility was fully completed in the third quarter of 2004. At December 31, 2005 there were $4.7 million (2004: $2.9 million) in outstanding customer claims.

Customers' products stored in the section of the facility which was impacted by the accident were destroyed as a result of the accident. In total, approximately 7.8 million pounds of product was lost. If Versacold is determined to be liable for the loss, Versacold's liability is expected to be limited to the amounts of limited liability provided in Versacold's warehouse receipts or other agreements with customers. Based upon the warehouse receipts, Versacold's liability would be limited to approximately $3.5 million. Such liability, if any, is expected to be covered by Versacold's warehouseman's legal liability insurance policy and therefore has not been provided for in the financial statements. As of December 31, 2005, no determination of liability for the accident has been made and, accordingly, no provision has been made for either the liability or a corresponding expected insurance recovery. If Versacold is determined to not be liable for the loss, Versacold will not be responsible for the customers' losses.

Corpark Facility Fire

On July 13, 2005, our Corpak facility in Richmond, B.C. was affected by a fire. Although the fire was contained in a 50 thousand square foot chamber representing approximately 30% of the facility and 1.5% of our total network, smoke and water caused substantial damage to most of the products in the remainder of the building. The cause of the fire is still being investigated. Versacold has appropriate insurance in place to cover impacts to the building, as well as warehouseman's legal liability on product and business interruption insurance. Insurance deductibles totaling approximately $0.4 million were expensed during the period. The building was progressively returned to service from the period of July 2005 to March 2006.

Outlook

The integration of the POCL acquisition is proceeding smoothly and seamlessly, and we anticipate a strong and positive contribution from these operations in 2006. With no duplication of geography or key customers, there has been no need to realign operating personnel and points of service. POCL's operations management team is very capable and has welcomed Versacold's operations-driven culture. While the transaction was based on an accretive purchase multiple rather than speculative synergies, we have also identified and are acting upon over $3 million in G&A synergies.

In Versacold's Canadian business, a return to normal operations at the Corpak facility in Richmond, B.C. and the Dawson facility in Winnipeg, Manitoba, together with the first full year's contribution from the new centre in Lethbridge, Alberta (2.2 million cubic feet) are expected to enhance results. Expansions at the Valley Center in Abbotsford, B.C. (completion: Q3 2006, 2.5 million cubic feet of additional capacity) and the Great Plains Centre in Calgary, Alberta (completion: Q3 2006, 2.5 million cubic feet of additional capacity), together with construction of a new 3.5 million cubic foot facility in Edmonton, Alberta (completion: Q4 2006) will contribute additional revenue as the year progresses.

In the United States, the West and Southwest regions are benefiting from excellent volumes and good margins, and the outlook is positive. Expansion of the LaPorte facility in Texas is on track for completion in the second quarter of 2006 and will add 3.8 million cubic feet of capacity to U.S. operations. Construction of a new facility in Pennsylvania will add an additional 11.6 million cubic feet upon completion in the fourth quarter of 2006.

Our Australian, New Zealand and Argentinian operations have also enjoyed a strong start to the year, and business conditions are expected to exceed expectations through 2006. Customer acceptance of the change in ownership has been excellent across our new operating regions, with no loss of customers.

With significantly more operations outside of Canada, a strengthening Canadian dollar could have a greater impact on our financial results in 2006. We have created a natural hedge by denominating a portion of the bank loan in U.S. currency. A forward currency arrangement has also been established to lock in prices for approximately 77% of the funds expected to be repatriated to Canada.

We continue to review growth opportunities both internally and through accretive acquisition opportunities, primarily in the United States.

Management's Report

March 8, 2006

The accompanying consolidated financial statements of Versacold Income Fund (the "Fund") and all the information in this Annual Report have been prepared by its Administrator, Versacold Holdings Corp. ("Holdings"), and approved by the Board of Directors of Holdings and by the Trustees of the Fund.

Management's responsibility through Holdings, as Administrator, is to maintain on behalf of the Fund appropriate systems of internal controls, policies and procedures which provides reasonable assurance that assets are safeguarded and the financial records are reliable and form a proper basis for the preparation of financial statements.

The Board of Directors of Holdings and the Trustees of the Fund ensure that Holdings, as Administrator, fulfills its responsibilities for financial reporting and internal control through an Audit Committee. The Audit Committee is comprised of independent directors of Holdings.

The Audit Committee meets periodically with management and the external auditors to review internal controls, audit results and accounting principles. This committee is responsible for overseeing managements' performance of its financial reporting duties, reviews the consolidated financial statements and reports to the Board of Directors of Holdings and the Trustees of the Fund.

KPMG LLP, an independent firm of Chartered Accountants, was retained by the Trustees of the Fund to complete the audit of the consolidated financial statements and to provide an independent professional opinion. The appointment of KPMG LLP as auditors of the Fund for the 2006 fiscal year will be confirmed at the Annual General Meeting of the Fund. The auditors have full and direct access to the Audit Committee.

Brent Sugden

H. Brent Sugden
President and
Chief Executive Officer

Joel M. Smith
Executive Vice President
and Chief Financial Officer

Auditors' Report to the Unitholders

We have audited the consolidated balance sheets of Versacold Income Fund as at December 31, 2005 and 2004 and the consolidated statements of operations, accumulated deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 8, 2006

Consolidated Balance Sheets

Tabular amounts expressed in thousands of dollars, except per unit amounts

December 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	$ 39,591	$ 1,026
Accounts receivable	78,899	22,861
Inventory	5,460	-
Income and other taxes recoverable	191	380
Prepaid expenses	8,713	1,260
	132,854	25,527
Capital assets (note 4)	644,686	248,319
Deferred financing costs (note 5)	18,349	2,873
Intangible assets (note 6)	14,359	1,161
Other assets (note 7)	6,364	4,307
Future income taxes (note 14)	6,092	-
Goodwill	34,948	7,279
	$ 857,652	$ 289,466
Liabilities and Unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 104,056	$ 19,521
Deferred revenue	7,085	2,519
Distribution payable	2,306	1,873
Current portion of long-term debt	56,111	887
Current income taxes payable	2,687	-
Future income taxes (note 14)	6,077	7,766
Payable to P&O – working capital settlement	25,359	-
	203,681	32,566
Long-term debt (note 9)	243,744	81,318
Convertible debentures (note 10)	236,921	22,556
Future income taxes (note 14)	28,910	19,191
Other liabilities (note 11)	4,696	4,649
Non-controlling interest	226	784
Unitholders' equity:		
Capital contributions (note 12)	179,953	155,605
Conversion option - convertible debentures (note 10)	4,453	645
Cumulative translation account	(2,273)	(1,686)
Accumulated deficit	(42,659)	(26,162)
	139,474	128,402
	$ 857,652	$ 289,466

Commitments and contingencies (note 17)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Trustees:

W. John Dawson
Trustee

Eric L. Schwitzer
Trustee

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Consolidated **Statements of Operations**

	2005	2004
Revenue	$ 210,352	$ 175,513
Direct profit contribution	$ 44,503	$ 40,985
Expenses:		
Amortization (note 4)	18,471	20,064
General and administrative	9,630	7,897
Interest on long-term debt	5,434	5,258
Interest on debentures	5,446	2,587
Provincial capital taxes	202	140
	39,183	35,946
	5,320	5,039
Other expense	(402)	(617)
Loss on financial instruments (note 15)	(3,163)	(438)
Foreign exchange gain	1,740	5,077
Refinancing costs (note 9)	(2,554)	-
Other income (expense)	(4,379)	4,022
Earnings before non-controlling interest and income taxes	941	9,061
Non-controlling interest	(278)	(410)
Earnings before income taxes	663	8,651
Income tax recovery (note 14)	(4,934)	(2,028)
Net earnings	$ 5,597	$ 10,679
Basic and diluted net earnings per trust unit (note 2(o))	$ 0.24	$ 0.47
Weighted average number of trust units outstanding, basic and diluted (excluding Class B units)	23,707,153	22,612,361

Consolidated Statements of Accumulated Deficit
Years ended December 31, 2005 and 2004

	2005	2004
Accumulated deficit, beginning of the year:	$ (26,162)	$ (15,709)
Net earnings	5,597	10,679
Distributions	(22,094)	(21,132)
Accumulated deficit, end of the year	$ (42,659)	$ (26,162)

See accompanying notes to consolidated financial statements.

Consolidated Statements of **Cash Flows**

Versacold Income Fund

Tabular amounts expressed in thousands of dollars, except per unit amounts

December 31, 2005 and 2004

	2005	2004
Cash provided by (used in):		
Operations:		
Net earnings	$ 5,597	$ 10,679
Items not involving cash:		
Amortization	18,471	20,064
Loss on disposal of capital assets	127	543
Loss on financial instruments for POCL acquisition	6,327	-
Unrealized loss (gain) on operational financial instruments	(2,898)	438
Accretion on convertible debentures	401	154
Foreign exchange gain	(1,740)	(5,077)
Write off of deferred financing costs	871	55
Future income taxes	(5,543)	(2,472)
Unit based compensation	408	-
Non-controlling interest	278	410
Other	(301)	42
	21,998	24,836
Changes in non-cash operating working capital	23,124	955
	45,122	25,791
Investments:		
Acquisition of P&O Cold Logistics, excluding working capital (note 3)	(302,682)	-
Capital expenditures	(48,491)	(13,192)
Walker rebuild asset adjustments	-	(385)
Proceeds on disposal of capital assets	29	200
Cash surrender value of life insurance	39	-
Cash acquired on acquisition of P&O Cold Logistics	13,445	-
	(337,660)	(13,377)
Financing:		
Increase in deferred financing costs	(17,761)	(1,909)
Issuance of trust units	23,030	-
Issuance of long-term debt	255,598	57,168
Repayment of long-term debt	(50,031)	(46,725)
Issuance of convertible debentures	149,302	-
Distributions paid	(22,479)	(21,797)
Loss on financial instruments for POCL acquisition	(6,327)	-
	331,332	(13,263)
Changes in foreign currency denominated cash	(229)	(224)
Increase (decrease) in cash and cash equivalents	38,565	(1,073)
Cash and cash equivalents, beginning of year	1,026	2,099
Cash and cash equivalents, end of year	$ 39,591	$ 1,026
Supplementary information:		
Interest paid	$ 11,767	$ 8,017
Income taxes paid	503	693
Non-cash transactions:		
Acquisition of assets under capital lease	262	243

See accompanying notes to consolidated financial statements

Notes to Consolidated **Financial Statements**

Tabular amounts expressed in thousands of dollars, except per unit amounts
Years ended December 31, 2005 and 2004

1. Operations:

Versacold Income Fund (the "Fund") is an unincorporated, open-ended limited purpose trust established under the laws of the Province of British Columbia pursuant to the Declaration of Trust. The Fund was created to invest in the public refrigerated warehouse businesses ("PRW") through its wholly owned subsidiary, Versacold Holdings Corp ("Holdings"). The Fund's assets consist only of a note receivable and common shares issued by Holdings.

Holdings carries on its PRW business through its direct and indirect wholly-owned subsidiaries and partnership interests. Its principal business activities, through its subsidiaries, include warehousing, freezing, processing and distributing food.

2. Significant accounting policies:

(a) Consolidation:

The consolidated financial statements include the accounts of the Fund, its wholly owned subsidiaries and partnership interests ("Versacold"). All significant inter-company accounts and transactions have been eliminated. On December 15, 2005, the Versacold Income Fund acquired 100% of the outstanding common shares and member interests comprising P&O Cold Logistics ("POCL"). The results presented include the operations of POCL business from December 16 to December 31, 2005.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of cash less cheques issued in excess of cash on deposit plus term deposits with initial terms to maturity of less than three months.

(c) Inventories:

Versacold purchases inventory in accordance with certain food service contracts. The inventories are stated at the lower of cost and net realizable value. The inventory is purchased on behalf of the final customer in accordance with that customer's requirements, and is reported on the consolidated balance sheet as Versacold has legal title to these goods.

(d) Capital assets:

Capital assets are stated at cost. Amortization has been provided over the estimated useful lives using the following methods and annual rates:

Asset	Basis	Rate
Buildings	Straight-line	18-35 years
Processing equipment	Straight-line	5%
Portable warehouse equipment	Declining balance	20%
Automotive equipment	Declining balance	30%
Leasehold improvements	Straight-line	10%
Office, furniture and equipment	Declining balance	20%
Computer hardware	Straight-line	33.3%
Computer software	Straight-line	20%
Equipment under capital leases	Straight-line	term of lease

During the development stage for constructing new buildings, all acquisition, construction, development, interest and carrying costs directly attributable to these construction or development activities are capitalized. Capitalization of carrying costs will cease when the construction or development projects are substantially complete and ready for productive use.

(e) Deferred financing costs:

Deferred financing costs are amortized over the terms of the related debt facilities.

(f) Intangible assets:

Intangible assets acquired individually or as part of a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values.

Intangible assets are comprised of customer contracts and customer relationships, which are recorded at their fair value and amortized over the remaining term of the contract or according to the future projected benefit for customer relationships. The amortization methods and estimated useful lives of customer contracts and relationships are reviewed annually or more frequently if events or changes in circumstances indicate that the useful life of the asset has changed.

(g) Goodwill:

Goodwill represents the difference between the cost of the acquired business and the fair value of its underlying net identifiable assets acquired, less liabilities assumed at the time of acquisition. Goodwill is allocated, as of the date of the business combination, to the Company's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. When the carrying value of goodwill exceeds the implied fair value of goodwill, an impairment loss is recognized equal to the excess amount in the statement of operations. Fair value is determined using the expected present value of the future cash flows of the acquired business.

(h) Impairment of long-lived assets:

Long-lived assets, including capital assets and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(i) Employee benefits:

Versacold has several benefit plans covering certain employee and retiree groups, which are accounted for as follows:

(i) Defined contribution plans - Versacold expenses to the statement of operations, the portion of the employee's contribution that Versacold is responsible to contribute.

(ii) Defined benefit pension plans – Versacold recognizes the cost of the accrued benefit obligations earned by employees using the actuarially determined projected benefit method, prorated on service and management's best estimate of expected plan investment performance, salary expectation and retirement ages. The accrued benefit obligations represent the present value of all accrued benefits and the assets have been valued at fair market value.

(iii) Workers' compensation self insurance - Versacold is self-insured for workers compensation with respect to the U.S. operation acquired from POCL for the first $581,500 (USD $500,000) per occurrence. This program has been in place since October 1, 2002. Estimated insurance liabilities are accounted for based on the net present value of independent actuarial estimates of the ultimate amount of loss expected.

(iv) Medical benefits self insurance - Versacold is self-insured for medical benefits with respect to the U.S. operation acquired from POCL for the first $174,000 (USD $150,000) per occurrence. The liability is accrued based on actuarial estimates of the liability.

(v) Stock-based compensation – In 2004 the Trustees approved a long term incentive plan for certain key executives. Units have been granted for fiscal 2005, 2006, and 2007 contingent on achieving certain annual financial targets and if met, vest over a three year period thereafter. Unit-based compensation awards once granted accrue additional units in lieu of cash based on distributions made to unitholders.

The Fund accounts for units granted using the fair value based method and determines the fair value at the grant date. Stock-based compensation is recognized over the vesting period of the respective awards on a straight-line basis when it is probable that the performance targets will be met. The counterpart is recognized in capital contributions.

(j) Financial instruments:

Versacold is party to certain derivative financial instruments, principally forward foreign exchange contracts (used to manage foreign currency exposures on foreign subsidiary revenues and distributable cash) and electricity price swap contracts (used to manage electricity costs in Alberta). These instruments are not recognized in the consolidated financial statements on inception. The instruments are not designated as hedges and are recognized on a fair value basis. The carrying amounts of derivative financial instruments, which comprise accrued gains and losses not yet realized, are included in other assets in the case of contracts in a gain position and in other liabilities in the case of contracts in a loss position.

Derivative financial instruments are utilized by Versacold in the management of its foreign currency and electricity price exposures. Versacold's policy is not to utilize derivative financial instruments for trading or speculative purposes.

On January 1, 2004 in conjunction with the implementation of Accounting Guideline 13 ("AcG-13"), the transitional provisions allowed any previously unrecognized gains or losses to be deferred and amortized over the remaining term of the derivative financial instrument. As a result, the unrealized loss on the energy contracts of $4.2 million was deferred and is being amortized to operations over the remaining term to December 31, 2008.

(k) Future income taxes:

Income taxes are accounted for under the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that enactment or substantive enactment occurs.

(l) Asset retirement obligation:

Versacold recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. Versacold concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in income as an operating expense using the interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is depreciated over the remaining life of the asset.

(m) Revenue recognition:

Versacold generates revenue mainly from refrigerated warehousing, transportation, processing and logistic management services. Warehousing revenue is recognized over the period during which storage is provided. Transportation and processing revenues are recognized when services are completed. For all amounts, revenue is not recognized until there is evidence an arrangement exists, the price is determinable, and collection is reasonably assured. Amounts billed in advance for future services are recorded as deferred revenue and are recognized in income when the services are provided.

(n) Foreign currency translation:

The Fund's wholly-owned subsidiaries are considered to be self-sustaining foreign operations. Accordingly, their assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date, and their revenues and expenses are translated into Canadian dollars at the approximate exchange rates at the time of the transactions. Gains or losses on translation are deferred as a separate component in unitholders' equity.

For entities with a Canadian dollar reporting currency, monetary items are translated to Canadian dollars at exchange rates in effect at the balance sheet dates and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Foreign exchange gains and losses are included in income.

(o) Net earnings per trust unit:

The basic and diluted net earnings per trust unit have been calculated based on the weighted average number of trust units outstanding of 23,707,153 in 2005 and 22,612,361 in 2004. Versacold uses the treasury stock method for calculating diluted earnings

Tabular amounts expressed in thousands of dollars, except per unit amounts

per trust unit. Diluted earnings per trust unit is computed similar to basic earnings per trust unit except that the weighted average trust units outstanding is increased to include additional units from the assumed conversion of convertible debentures and long term incentive plan units, if dilutive.

(p) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to the determination of the net collectible amount of accounts receivable, net realizable value of inventories, provisions for claims, contingencies, deferred revenue, asset retirement obligations, the useful life of capital assets, and the valuation of intangible assets, goodwill and future tax assets. The amounts allocated as the fair value of assets and liabilities acquired on business combinations are based on management's best estimates using all information available at the time of preparing the financial statements. Actual results could differ from these estimates.

(q) Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

3. Acquisition of P&O Cold Logistics:

On December 15, 2005, the Versacold Income Fund acquired 100% of the outstanding common shares and member interests comprising P&O Cold Logistics ("POCL"), the public refrigerated warehousing and distribution business owned by Peninsular and Oriental Steam Navigation Company ("P&O") for $397.6 million including transaction costs and working capital.

The operations of POCL have been consolidated in the statement of operations from December 16, 2005 to December 31, 2005.

The purchase price allocation is preliminary as Versacold is in the process of obtaining fair value information for certain capital assets and finalizing the working capital settlement with P&O.

The combined assets and liabilities acquired and assumed, respectively, as at December 15, 2005 are as follows:

Net assets acquired:	
Current assets (including cash of $13,445)	$ 79,968
Capital assets	366,982
Goodwill	27,805
Intangible assets	14,195
Other assets	336
	489,286
Less liabilities assumed:	
Current liabilities	(64,623)
Asset retirement obligation	(1,612)
Future income taxes	(7,647)
Other liabilities	(3,988)
Long-term debt	(13,778)
	(91,648)
	$ 397,638
Consideration given:	
Cash paid	289,621
Plus acquisition costs incurred	13,061
	302,682
Convertible debentures issued to the vendor	69,384
Working capital settlement accrued	25,572
	$ 397,638

Tabular amounts expressed in thousands of dollars, except per unit amounts

The value of the convertible debentures was based on the fair market value of similar instruments concurrently issued to the market.

Goodwill is attributable to the Australia, Argentina, and the New Zealand operations acquired in the amounts of $4.9 million, $16.8 million, and $6.1 million respectively. The goodwill is not deductible for tax purposes.

4. Capital assets:

2005	Cost	Accumulated amortization	Net book value
Land	$ 100,647	$ -	$ 100,647
Land improvements	389	55	334
Buildings	431,301	42,693	388,608
Equipment	152,016	31,347	120,669
Leasehold improvements	10,701	28	10,673
Equipment under capital lease	21,419	3,892	17,527
Construction-in-progress	6,228	-	6,228
	$ 722,701	$ 78,015	$ 644,686

2004	Cost	Accumulated amortization	Net book value
Land	$ 17,552	$ -	$ 17,552
Land improvements	390	28	362
Buildings	233,197	32,552	200,645
Equipment	49,118	25,552	23,566
Leasehold improvements	3,510	1,075	2,435
Equipment under capital lease	5,238	3,493	1,745
Construction-in-progress	2,014	-	2,014
	$ 311,019	$ 62,700	$ 248,319

The breakdown of amortization expense is as follows:

	2005	2004
Capital assets	$ 15,669	$ 15,404
Equipment under capital lease	399	1,657
Deferred charges	1,613	724
Intangible assets	790	2,279
	$ 18,471	$ 20,064

As at December 31, 2005, the Fund capitalized approximately $154,000 (2004 - $9,000) of interest carrying costs which were directly attributable to the construction of capital assets.

Tabular amounts expressed in thousands of dollars, except per unit amounts

5. Deferred financing costs:

		2005		2004
Deferred financing costs	$	20,023	$	3,663
Accumulated amortization		(1,674)		(790)
	$	18,349	$	2,873

During fiscal 2005 the Fund incurred $10.4 million of expenses related to the issuance of two convertible debenture offerings and $7.4 million of expenses related to negotiating the new credit facilities.

6. Intangible assets:

		2005		2004
Customer contracts	$	3,372	$	3,581
Customer relationships		14,189		-
Accumulated amortization		(3,202)		(2,420)
	$	14,359	$	1,161

7. Other assets:

		2005		2004
Advances	$	400	$	400
Cash surrender value of life insurance		41		69
Deferred loss on energy contract		2,314		3,435
Financial instrument - foreign currency swap		394		403
Financial instrument – energy swap		370		-
Lease inducement		2,845		-
	$	6,364	$	4,307

The advances represent a non-interest bearing housing loan to an officer of Versacold. The loan is due August 7, 2008 and is secured through a second mortgage against the principal residence of the officer.

On the acquisition of POCL (note 3), Versacold acquired a two year leased premise with nominal rent. The resulting asset was recorded as a lease inducement at fair value and is being amortized over the lease term.

8. Bank indebtedness:

At December 31, 2005, the cash and cash equivalent balance of $39.6 million represents cash net of outstanding cheques.

At December 31, 2005, Versacold has available, from the new credit facility (see note 9), a $50 million revolving term facility that consists of a $10 million operating facility and a $40 million revolving term facility. The facility bears interest at a base rate plus margin ranging from 0.50% to 3.25% per annum depending on the entity's performance and the type of base rate. At December 31, 2005 the $10 million operating facility was un-drawn.

At December 31, 2004, Versacold had available, from two Canadian banks, a committed operating credit facility for up to $20 million, bearing interest at a base rate of prime plus a margin ranging from 0.05% to 1.35% per annum depending on the entity's performance. Security provided for this credit facility is included with the revolving term credit facility. At December 31, 2004 there was $2.6 million drawn on the operating facility.

Tabular amounts expressed in thousands of dollars, except per unit amounts

9. Long-term debt:

		2005		2004
Credit facility, bearing interest at a base rate plus margin ranging from 0.50% to 3.25% per annum, depending on the entity's performance and type of base rate. At December 31, 2005, the weighted average interest rate was 5.99%. The credit facility is summarized as follows:				
(i) Credit A - revolving term facility due December 15, 2009	$	5,234	$	-
(ii) Credit B1 - non-revolving term facility due December 15, 2009		100,000		-
(iii) Credit B2 - non-revolving term facility due December 15, 2009, drawn in U.S. dollars		101,129		-
(iv) Credit C - non-revolving term facility due December 15, 2006		49,800		-
(v) Credit D – non-revolving term facility due December 15, 2009		-		-
US$25 million term debt, bearing fixed interest at 8.06% on a US$9.7 million tranche and bearing interest at 6.22% in respect of a US$15.3 million tranche, non-amortizing due November 1, 2010. As at December 31, 2005, the weighted average interest rate was 6.9% (2004 - 6.9%)		29,075		30,050
US$4.8 million mortgage on a Texas property, bearing interest at 8.36% per annum, maturing March 1, 2008.		5,552		-
US$38.2 million privately placed non-amortizing term debt, bearing fixed interest at 5.45% per annum.		-		45,878
$15 million revolving term credit facility. At December 31, 2004, the weighted average interest rate was 3.66%		-		5,000
Capital lease obligations, bearing interest ranging from approximately 2.50% to 9.15% with maturity dates from February 2006 to December 2019.		9,065		1,277
		299,855		82,205
Current portion		56,111		887
	$	243,744	$	81,318

On December 15, 2005, Versacold entered into a new credit facility and concurrently paid off the outstanding amounts on the $15 million and the US$38.2 million facilities. The refinancing costs of $2.6 million charged to the statement of operations is comprised of:

(i) A $1.2 million prepayment penalty was incurred to prepay the US$38.2 million debt.

(ii) $0.9 million of related unamortized deferred financing costs were written off.

(iii) A $0.5 million prepayment penalty was incurred to prepay the US$4.8 million mortgage.

In addition, a $1.8 million realized gain on the foreign currency translation of the US$38.2 million term debt was recorded in the statement of operations during 2005 (2004 - $5.3 million unrealized gain).

The new credit facility consists of a revolving term facility and a non-revolving term facility, with a syndicate of banks and life insurance companies (the "Lenders"). The $50 million revolving term facility consists of a $10 million operating facility and a $40 million revolving term credit facility.

Advances from the credit facility bear interest at a base rate of prime, LIBOR or bankers acceptances at Versacold's option plus a margin ranging from 0.50% to 3.25% per annum depending on the entity's performance and the type of base rate.

Tabular amounts expressed in thousands of dollars, except per unit amounts

The following is pledged as security for the new credit facility:

(a) $500 million debenture issued in favour of the Lenders creating a fixed charge over all freehold and leasehold real property and a security interest and floating charge over all Canadian assets owned by Versacold and its subsidiaries;
(b) $125 million deed of trust, $375 million deed of trust and a general security agreement in favour of the Lenders creating a fixed charge on all United States assets owned by the Fund and its subsidiaries;
(c) AUS$175 million mortgages issued in favour of the Lenders creating a fixed charge on all Australian assets owned by Versacold and its subsidiaries;
(d) $500 million mortgages issued in favour of the Lenders creating a fixed charge on all New Zealand assets owned by Versacold and its subsidiaries; and
(e) unconditional guarantees issued by Versacold and its subsidiaries in favour of the Lenders.

The following is pledged as security for the US$25 million term debt:

(a) a first mortgage and security agreement on all the U.S. assets of the Darien, Wisconsin facility;
(b) a first deed of trust and security agreement on all the U.S. assets of the Lynden, Washington facility;
(c) assignment of leases and rents of Versacold Cascade Inc.; and
(d) joint and several unsecured guarantees of Versacold Holdings Corp., Versacold Corporation and Versacold Enterprises Ltd.

As at December 31, 2005, the aggregate required repayments of principal due are as follows:

	Capital leases	Long-term debt	Total
2006	$ 759	$ 55,352	$ 56,111
2007	510	-	510
2008	472	-	472
2009	463	206,363	206,826
2010	506	29,075	29,581
Thereafter	6,355	-	6,355
	$ 9,065	$ 290,790	$299,855

10. Convertible debentures:

	2005	2004
Convertible debentures - 8.5%, principal of $40 million, due October 31, 2008, interest payable in April & October, convertible at 119.7605 per $1,000 per debenture, conversion option of $1.1 million, financing costs of $2.5 million	$ 22,610	$ 22,556
Convertible debentures - 6.25%, principal of $34.5 million, due January 31, 2010, interest payable in July & January, convertible at 98.522 per $1,000 per debenture, conversion option of $1.3 million, financing costs of $2.1 million	33,416	-
Convertible debentures - 7.0%, principal of $184.2 million, due December 31, 2010, interest payable in June & December, convertible at 119.7605 per $1,000 per debenture, conversion option of $2.5 million, financing costs of $4.6 million	180,895	-
	$ 236,921	$ 22,556

The Fund has issued convertible, unsecured, subordinated debentures. The debentures are convertible into trust units of the Fund at the option of the holder at a specified conversion ratio per $1,000 principal amount of the debenture. The debentures bear interest, which is payable semi-annually in arrears on the last day of the month. The conversion option on each issuance has been separately

Tabular amounts expressed in thousands of dollars, except per unit amounts

valued from the convertible debentures at its estimated fair market value of the option on the date the security was issued. The convertible debenture discount is accreted to interest expense over the term of the loan. The issuance costs related to the convertible debentures are included in deferred financing charges and are amortized over the term of the convertible debentures.

On January 21, 2005, the Fund issued convertible, unsecured, subordinated debentures in the aggregate principal amount of $34.5 million.

On November 24, 2005, the Fund issued convertible, unsecured, subordinated debentures in the aggregate principal amount of $115 million and on December 16, 2005 an additional $69.2 million was issued to P&O Holdings Inc. concurrently with the completion of the acquisition of P&O Cold Logistics.

During the year ended December 31, 2005, convertible debentures with a face value of $0.9 million were converted into trust units (2004 - $17.0 million). Upon conversion, the related portion of the conversion option of $13,000 (2004 - $0.5 million) and deferred charges of $3,000 (2004 - $1.0 million) were charged to capital contributions (see note 12).

11. Other liabilities:

		2005		2004
Financial instrument – energy swap	$	-	$	3,192
Deferred gain on foreign currency swap		-		403
Asset retirement obligations		2,901		1,054
Lease liability assumed on POCL acquisition		1,795		-
	$	4,696	$	4,649

A $1.6 million asset retirement obligation was assumed on the POCL acquisition.

12. Unitholders' equity:

Versacold Corporation converted from a share corporation to an income fund trust on February 12, 2002. Under this arrangement, the former shareholders of Versacold Corporation received units of the Versacold Income Fund or Class B Limited Partnership ("Class B LP") units of a majority owned limited partnership of the Fund, Versacold Group Limited Partnership.

A) Authorized:

The Declaration of Trust authorizes the Fund to issue an unlimited number of trust and Class B LP units for the consideration and on those terms and conditions as are established by the Trustees without the approval of any unitholders.

The Class B LP units are exchangeable for units of the Fund at any time at the option of the holder, and in certain circumstances at the option of Versacold Holdings Corp.

The beneficial interest of the two classes of trust units is, as follows:

1) Trust units:

Each unit is transferable and represents an equal undivided beneficial interest in any distributions from the Trust. Each unit held entitles the unitholder to one vote at all meetings of unitholders. Except as set out under the redemption rights below, the units have no conversion, retraction, redemption or pre-emptive rights.

Units are redeemable at any time on demand by the holders. Upon receipt of a written redemption notice by the Trust, all rights to and under the units tendered for redemption shall be surrendered and the holder shall be entitled to receive a price per unit equal to the lesser of:

(i) 90% of the market price of the units on the principal market on which the units are quoted for trading during the ten trading day period commencing immediately subsequent to the date on which the units were surrendered to the Trust for redemption; and
(ii) 100% of the closing market price on the principal market on which the units are quoted for trading on the redemption date.

Tabular amounts expressed in thousands of dollars, except per unit amounts

2) Special voting units:

The Trust may issue special voting units from time to time to holders of record of securities. The special voting units shall be entitled to such number of votes at meetings of unitholders as may be determined by the Trustees at the time of issuance but shall not be entitled to any distributions from the Trust.

Special voting units (each representing the same number of votes as one unit of the Fund) have been issued to the holders of Class B LP units of the Versacold Group Limited Partnership on the basis of one special voting unit for each Class B LP unit held.

B) Issued:

The trust units issued included in the unitholders' capital contributions on the balance sheet are summarized as follows:

	Units	Amount
Opening – January 1, 2004	21,258,105	$ 139,529
2004 Conversions of convertible debentures	2,030,040	16,515
Reclassify costs of financing due to conversions	-	(965)
Reclassify value of conversion option	-	474
Unit based compensation	-	52
Total unitholders' capital contributions, December 31, 2004	23,288,145	155,605
2005 Conversions of convertible debentures	109,460	900
Issuance of units	3,400,000	25,500
Issuance costs	-	(2,470)
Reclassify cost of financing due to conversions	-	(3)
Reclassify value of conversion option	-	13
Unit based compensation	-	408
Total unitholders' capital contributions, December 31, 2005	26,797,605	$ 179,953

The breakdown of Versacold Income Fund units by class is as follows:

	2005	2004
Versacold Income Fund trust units	26,797,605	23,288,145
Class B Versacold Group Limited Partnership units	875,000	875,000
Total	27,672,605	24,163,145

13. Employee benefit plans:

a) Defined contribution registered retirement savings plans – During the year contributions were made by Versacold on behalf of certain employees of $922,173 (2004 - $896,427).

b) Defined benefit pension plan
   (i) One executive officer plan exists; however, this plan is no longer available to new members and the estimated liability of $102,300 (2004 - $108,600) has been recognized in the financial statements.
   (ii) A defined benefit plan exists for employees of the acquired POCL Australian business. As at December 31, 2005 the market value of the plan assets was $5.5 million and the accrued benefit obligation was $5.2 million. The net accrued benefit asset of $0.3 million has been recorded.

   The pension expense recognized for the year ended December 31, 2005 on all plans was $1.3 million (2004 - $1.4 million).

c) Workers' Compensation self insurance - As of December 31, 2005, the estimated liability provided for self-insured claims amounted to $2.5 million.

d) Medical Benefits self insurance - As at December 31, 2005, the estimated liability provided is $0.8 million.

e) Unit-based compensation plan

   In 2005, this expense totaled $377,659 (2004 - $51,600) and has been recorded in unitholders' equity and operations expense.

Tabular amounts expressed in thousands of dollars, except per unit amounts

14. Income taxes:

The Fund is a "mutual fund trust" as defined under the Income Tax Act (Canada) and accordingly is not taxable on its income to the extent that its income is distributed to its unitholders. This exemption does not extend to the Fund's subsidiaries that are subject to income tax.

Earnings (loss) before non-controlling interest and income taxes are as follows:

	2005	2004
Canadian	$ 2,736	$ 12,655
Foreign	(1,795)	(3,594)
	$ 941	$ 9,061

The provision for (recovery of) income taxes consists of the following:

	2005	2004
Current income tax expense:		
Canadian large corporation tax	$ 250	$ 471
Foreign taxes	20	(267)
Withholding tax on foreign interest	339	240
	609	444
Future income tax expense:		
Canadian	(5,093)	(2,649)
Foreign	(450)	177
	(5,543)	(2,472)
Income taxes (recovery)	$ (4,934)	$ (2,028)

The provision for (recovery of) income taxes consists of the following:

	2005	2004
Provision for taxes at 33% (2004 - 33%)	$ 311	$ 2,990
Increased (reduced) by:		
Large corporations tax	250	471
Withholding tax on foreign interest	339	240
Rate differential on foreign taxes and other foreign taxes	162	-
Distributions to be taxed in unitholders' hands	(5,513)	(5,401)
Non-taxable portion of capital gains on foreign debt	(287)	(891)
Non-deductible portion of capital loss on foreign currency contract	1,044	-
Impact of reduction in tax rate on opening future income taxes	(552)	-
Other non-deductible (non-taxable) items	(717)	351
Other	29	212
Income taxes (recovery)	$ (4,934)	$ (2,028)

Tabular amounts expressed in thousands of dollars, except per unit amounts

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2005 and 2004 are presented below:

	2005	2004
Future income tax asset – non-current portion:		
Property, plant, equipment and intangible assets	$ 6,092	-
Future income tax liability – current portion:		
Deferred partnership income	$ (6,349)	$ (7,870)
Non-capital losses carry forward	272	104
Future income tax liability – current portion	$ (6,077)	$ (7,766)
Future income tax liability – non-current portion:		
Non-capital losses carry forward	$ 12,275	$ 10,637
Deferred financing charges	291	246
Unrealized foreign exchange on foreign debt	-	(891)
Property, plant, equipment and intangible assets	(41,476)	(29,183)
Future income tax liability – non-current portion	$ (28,910)	$ (19,191)

Versacold has approximately $35.7 million of non-capital losses for income tax purposes available at December 31, 2005 to reduce taxable income of future years. The full benefit of these losses has been recorded in the financial statements.

These losses will expire as follows:

2006	$ 2
2007	2
2008	1,170
2009	12,016
2010	9,050
2011	9,175
2012	4,310
	$ 35,725

In addition, at December 31, 2005, the tax bases exceeds the reported amounts of the Fund's consolidated assets and liabilities for entities that are not subject to taxes by $2.5 million (2004 - $4.0 million). In addition, Versacold has recognized $1 million of tax losses related to the Argentina operations. There is an additional $2.7 million of losses in Argentina for which no tax benefit has been recorded.

15. Financial instruments:

(a) Forward foreign exchange contracts:

A portion of Versacold's revenue and net income are generated in foreign currencies (U.S. dollars, Australian dollars, New Zealand dollars, and Argentinean pesos). To the extent that Versacold intends to return to Canada available distributable cash from foreign countries, it is exposed to foreign exchange risk, which many have a material impact on Versacold's financial position. Versacold entered into forward contracts to mitigate this risk.

In addition, upon signing the agreement in November to purchase POCL for which the funds were payable in various foreign currencies on December 16, 2005, Versacold entered into forward contracts to mitigate the foreign currency risk on the acquisition price.

Tabular amounts expressed in thousands of dollars, except per unit amounts

(b) Electricity price swap:

Versacold has entered into electricity price swap contracts to manage its electricity costs in Alberta. These contracts were entered to reduce price risk, but are not designated as hedges. Under these contracts, Versacold was committed to pay approximately $81.50 for one megawatt per hour ("MW/h") of electricity in Alberta until December 31, 2005 and pay $67.25 for 4 MW/h of electricity in Alberta until December 31, 2008.

At December 31, 2005, the fair value of the electricity price swap as determined by quoted price from external brokers is an asset of $0.3 million (2004 - $3.2 million liability).

(c) Loss on financial instruments:

		2005		2004
Loss on foreign currency contracts related to acquisition of P&O Cold Logistics	$	(6,327)	$	-
Gain (loss) on energy contract		2,504		(438)
Unrealized gain on currency contract		442		-
Realized gain on currency contract		218		-
	$	(3,163)	$	(438)

(d) Fair values of financial instruments:

The carrying values of current financial assets and liabilities approximate their fair values due to the relatively short periods to maturity of the instruments. Fair values are determined by market prices or are based on calculations provided by independent third parties as follows:

(i) As at December 31, 2005, the fair value of Versacold's long-term debt is estimated at $300.1 million (2004 - $84.2 million).

(ii) The advances are not subject to interest and the fair value is estimated at $343,000 (2004 -$329,000).

(iii) Convertible debentures fair value at December 31, 2005 is $244.0 million (2004 - $25 million).

16. Related party transactions:

During the year ended December 31, 2004, Versacold hired a general contractor to remove one of the buildings at its leased Harbour facility in Vancouver, British Columbia. The general contractor subcontracted for approximately $343,000 a portion of the demolition to a company owned by a director of Versacold Holdings Corp.

During the year ended December 31, 2005 and December 31, 2004, there were no other related party transactions except as disclosed in notes 7 and 17(f). These transactions are in the normal course of operations and are measured at their estimated fair values.

17. Commitments and contingencies:

(a) Racking failure and partial roof collapse at the Brampton, Ontario facility:

During 2003, as a result of the racking failure and partial roof collapse at Versacold's Walker facility in Brampton, Ontario on August 23, 2003, Versacold wrote off $2.6 million of estimated capital assets involved in the incident; however, the write-off was offset by anticipated insurance proceeds. The rebuild of the Walker facility was fully completed in the third quarter of 2004 at a cost of $2.2 million, and accordingly the original estimates related to the reduction in capital assets and the related insurance claim were revised to $2.2 million during 2004. In addition, Versacold has also submitted claims for debris removal and related costs, business interruption and certain other costs totaling approximately $4.6 million. During 2004, $2.9 million of insurance proceeds were received, resulting in outstanding claims at December 31, 2004 of $2.9 million. At December 31, 2005 there were $4.7 million in legal claims.

Customers' products stored in the section of the facility which was impacted by the accident were destroyed as a result of the accident. In total, approximately 7.8 million pounds of product was lost. If Versacold is determined to be liable for the loss,

Tabular amounts expressed in thousands of dollars, except per unit amounts

Versacold's liability is expected to be limited to the amounts of limited liability provided in Versacold's warehouse receipts or other agreements with customers. Based upon the warehouse receipts, Versacold's liability would be limited to approximately $3.5 million. Such liability, if any, is expected to be covered by Versacold's warehouseman's legal liability insurance policy and therefore has not been provided for in the financial statements. As of December 31, 2005, no determination of liability for the accident has been made and, accordingly, no provision has been made for either the liability or a corresponding expected insurance recovery. If Versacold is determined to not be liable for the loss, Versacold will not be responsible for the customers' losses.

(b) Corpak Facility Fire:

On July 13, 2005, Versacold's Corpak facility in Richmond, B.C. was affected by a fire. Although the fire was contained in a 50 thousand square foot chamber representing about 30% of the facility and about 1.5% of Versacold's total network, smoke and water caused substantial damage to most of the products in the rest of the building. The cause of the fire is still being investigated.

Versacold has appropriate insurance in place to cover impacts to the building, as well as warehouseman's legal liability on product and business interruption insurance. Insurance deductibles totaling approximately $0.4 million were expensed in July 2005. If Versacold is determined to be liable for customers' product losses, the liability is expected to be limited to the amounts of limited liability provided in Versacold's warehouse receipts or other customer arrangements. Such liability, if any, is expected to be covered by the Versacold's warehouseman's legal liability insurance policy. Versacold has received legal claims totaling $0.2 million with respect to the product damaged at the Corpak facility, but believes it has adequate insurance to cover any liability for such losses and therefore has not provided for the claims in the financial statement. While there has been no determination of liability for the losses, the total amount of the potential loss is undeterminable at this time.

The building was progressively returned to service from the period of July 2005 to March 2006.

(c) Lease commitments:

At December 31, 2005, the future minimum operating lease payments for the next five years and in aggregate thereafter are as follows:

2006	$	29,802
2007		21,652
2008		16,252
2009		7,527
2010		5,168
Thereafter		19,765
	$	100,166

(d) Capital commitments:

Versacold has commenced several expansion projects and the commitment for capital projects as at December 31, 2005 is estimated at $65.5 million.

(e) Electricity price swap:

The commitment as at December 31, 2005 is for approximately $7.1 million (2004 - $10.1 million) of electricity based on fixed notional MW hours, which closely approximates Versacold's current annual electricity usage.

Under the terms of the contract, each party has provided the other with a $5 million credit limit. If the net present value of either party's exposure exceeds $5 million, then that party will be required to post a letter of credit in the amount in excess of the $5 million credit limit.

(f) Guarantees:

During the year, a guarantee previously issued by Versacold Holdings Corp. to assist an executive to purchase 200,000 common shares of Versacold Corporation was discharged.

Tabular amounts expressed in thousands of dollars, except per unit amounts

18. Segmented information:

Versacold has three operating segments, being distribution warehouse, production warehouse and transportation. The Fund does not evaluate segment performance based on capital expenditures or assets employed. Versacold had two customers that accounted for approximately 10% each of total 2005 revenue (2004 – 12% each).

2005	Distribution Warehouse	Production Warehouse	Transportation	Total
Revenue	$ 75,676	$ 53,925	$ 80,751	$ 210,352
Direct profit contribution	$ 17,575	$ 18,143	$ 8,785	$ 44,503
Expenses:				
Amortization				18,471
General and administrative				9,630
Interest on long-term debt				5,434
Interest on debentures				5,446
Provincial capital taxes				202
Other expense				4,379
				43,562
Earnings before non-controlling interest and income taxes				$ 941

2004	Distribution Warehouse	Production Warehouse	Transportation	Total
Revenue	$ 60,054	$ 50,623	$ 64,836	$ 175,513
Direct profit contribution	$ 15,670	$ 17,432	$ 7,883	$ 40,985
Expenses:				
Amortization				20,064
General and administrative				7,897
Interest on long-term debt				5,258
Interest on debentures				2,587
Provincial capital taxes				140
Other income				(4,022)
				31,924
Earnings before non-controlling interest and income taxes				$ 9,061

2005	Canada	New Zealand	United States	Argentina	Australia	Total
Revenue	$ 154,793	$ 1,303	$ 46,770	$ 359	$ 7,127	$ 210,352
Direct profit contribution	$ 32,062	$ 382	$ 10,994	$ 4	$ 1,061	$ 44,503
Expenses:						
Amortization						18,471
General and administrative						9,630
Interest on long-term debt						5,434
Interest on debentures						5,446
Provincial capital taxes						202
Other expense						4,379
						43,562
Earnings before non-controlling interest and income taxes						$ 941

Tabular amounts expressed in thousands of dollars, except per unit amounts

2004	Canada	United States	Total
Revenue	$ 144,303	$ 31,210	$ 175,513
Direct profit contribution	$ 31,821	$ 9,164	$ 40,985
Expenses:			
Amortization			20,064
General and administrative			7,897
Interest on long-term debt			5,258
Interest on debentures			2,587
Provincial capital taxes			140
Other income			(4,022)
			31,924
Earnings before non-controlling interest and income taxes			$ 9,061

	2005	2004
Capital assets, goodwill and intangibles:		
Canada	$ 224,977	$ 199,878
United States	310,239	56,881
Australia	86,833	-
New Zealand	55,850	-
Argentina	16,094	-
	$ 693,993	$ 256,759

19. Joint venture interest:

Versacold has a 50% joint venture interest. A summary of unaudited financial information for Versacold's portion of the joint venture operation follows:

	2005	2004
Assets:		
Current assets	$ 1,277	$ 1,418
Capital assets, net of accumulated amortization	254	365
Due from Versacold Group	4,703	3,330
	$ 6,234	$ 5,113
Liabilities:		
Current liabilities	$ 6,233	$ 5,112
Joint venture participant's equity	1	1
	$ 6,234	$ 5,113
Revenue	$ 12,373	$ 12,828

As at December 31, 2005, an amount of $1.9 million (2004 - $1.8 million) is included in accounts payable, which is payable to the joint venture partner.

Corporate Information

Versacold Income Fund Trustees and Versacold Holdings Corp. Directors

Peter R.B. Armstrong President and Chief Executive Officer Great Canadian Railtour Company Ltd.	Trustee and Director
V. Edward Daughney, C.A. Chairman of the Board Echelon Home Products Ltd. TimberWest Forest Corp.	Trustee and Director
W. John Dawson, F.C.A. Independent Business Advisor	Chairman of the Board of Trustees and Director
Samuel H. Gudewill President and Chief Executive Officer Innovex Equities Corporation	Trustee and Director
Joseph S. Houssian Chairman of the Board President and Chief Executive Officer Intrawest Corporation	Trustee and Director
Thomas J. Longworth Consultant	Director
Eric L. Schwitzer Managing Partner Enterprise Capital Management Inc.	Trustee and Lead Director
H. Brent Sugden President and Chief Executive Officer Versacold Holdings Corp.	Trustee and Chairman of the Board of Directors

Versacold Holdings Corp. Officers

Robert A. Lewarne
Senior Operations
Vice-President
Pacific Region

Bruce M. McKay
Secretary

Joel M. Smith
Executive Vice-President and
Chief Financial Officer

Bruce N. Smashnuk
Operations Vice-President
Prairie and Wisconsin Regions

H. Brent Sugden
President and
Chief Executive Officer

Victor Tschupikow
Operations Vice-President
Eastern Region

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The Toronto Stock Exchange
Trading under ICE.UN, ICE.DB, ICE.DB.A, ICE.DB.B

Transfer Agent

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Investor Relations

Joel M. Smith
Executive Vice-President and
Chief Financial Officer
(604) 255-4656
Email: jsmith@versacold.com

Annual General Meeting

The Annual General Meeting of the Versacold Income Trust will be held at The Fairmont Waterfront Hotel, 900 Canada Place Way, Vancouver, BC at 10:30 a.m. on Tuesday, May 9th, 2006.

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